

IN THE MATTER OF INTEREST ARBITRATION

BETWEEN)
)
UNION COUNTY, IOWA,)
) Hugh J. Perry, Arbitrator
PUBLIC EMPLOYER,)
AND)
) Award issued: April 14, 2011
INTERNATIONAL UNION OF)
OPERATING ENGINEERS LOCAL 234)
(Secondary Road Employees),)
)
EMPLOYEE ORGANIZATION.)

APPEARANCES:

FOR UNION COUNTY:

Jack Lipovac, HR-One Source

FOR IUOE LOCAL 234:

MacDonald Smith, Attorney

BACKGROUND

IUOE Local 234 represents a bargaining unit comprised of 23 employees of the Union County Secondary Road Department, including the following positions and number of employees in each position: Equipment Operator II (18), Inspector II (1), Maintenance Foreman II (2) and Mechanic II (2). Union County is located in south central Iowa. It has a population of some 12,500. The parties have bargained collectively for several years occasionally resorting to Fact-finding and Arbitration. This bargaining year they have settled all impasse issues for the one year contract July 1, 2011 - June 30, 2012 except for **Wages, Insurance, and Leaves of Absence**. They have extended the impasse time lines to allow for completion of the bargaining process and otherwise parties proceed under the arbitration process as provided in the Iowa Public Employment Relations Act. In making the following award, I have considered the criteria set forth in Section 20.22 (9) of the PERA. After considering such criteria in light of the facts of this dispute, I am required to select the most reasonable position of either party on each impasse issue. A hearing was held at the Union County Courthouse in Creston, Iowa on March 30, 2011. Following the presentation of testimony, written exhibits and arguments, the hearing was closed on that date.

IMPASSE ISSUES

The Impasse Issues before the Arbitrator are: ***Wages, Insurance and Leaves of Absence.***

PROPOSALS OF THE PARTIES

COUNTY PROPOSALS:

Wages: The County proposes an across the board wage increase of 2%.

Insurance: The County proposes that the current insurance plan be changed to provide that Employees who select Plan B will pay \$157.34 per pay period for dependent coverage for the 2011-2012 year and \$52.45 for the single coverage. Employees selecting Plan C will pay \$94.40 per pay period for dependent coverage for the 2011-2012 year and \$31.47 for the single coverage. For Employees selecting Plan D, the County will pay the entire premium each month.

Leaves of Absence: The County proposes that the current language on personal leave (up to 3 working days annually to be taken from accumulated sick leave) continue into the next contract.

UNION PROPOSALS:

Wages: The Union proposes an across the board wage increase of 3%.

Insurance: The Union proposes that the current insurance provision be changed to provide that employees who select Plan B will pay \$111.31 per pay period for dependent coverage for the 2011-2012 year and \$44.26 for the single coverage. Employees selecting Plan C will pay \$63.60 per pay period for dependent coverage for the 2011-2012 year and \$25.28 for the single coverage. For Employees selecting Plan D, the County will pay the entire premium each month.

Leaves of Absence: The Union proposes that personal leave from the current 3 days be changed to not to exceed 5 working days annually, to be taken from the employee's accumulated sick leave. The current two days for family illness would then be eliminated.

WAGES -CURRENT CONTRACT

Eighteen out of twenty-three members of this bargaining unit are Operator II's. Their hourly wage rate is currently \$18.02. The bargaining unit employees received a 3.2% wage increase for 2010-2011 and a 3% increase for 2009-2010. In addition to their hourly rate, these employees receive longevity pay starting at \$.10 per hour after five years of service up to \$.35 per hour after thirty years of service. The Inspector II is paid \$18.10/hour, the Maintenance Foreman II's are paid \$18.36/hour and the Mechanic II's are paid \$18.43/hour. All of these wages are at top step reached at the end of three years.

The **County Proposal** would increase wages by 2% across the board. To make comparisons, the County used the counties of Audubon, Guthrie, Cass, Adair, Madison, Montgomery, Adams, Clarke, Lucas, Page, Taylor, Ringgold, Decatur and Wayne, surrounding counties to Union. The County presented data indicating that Union County's Operator II wage at 18.02 ranked 4th among these counties and that such ranking would continue regardless of whether the County's or the Union's wage proposal was awarded. The County's information indicates that all wage settlements in these counties to take effect July 1, 2011 average 1.99%. Counties with multi-year settlements including 2011 average 3.03%. When multi-year settlements are taken out, the average settlements for 2011 average 1.51%. The County noted that when health insurance is factored in, these employees fare even better in the comparisons due to their high cost of health insurance. The County indicated that its tax rates were the highest of the comparable counties and the highest in the state (11.41 per thousand), that its total (rural and countywide) tax rate of 15.1427 was the highest in the state, that its total taxable valuation was 7th among the comparable counties. The County's un-designated fund balance at 13.3% is below average among the comparable counties. The road use tax, a large part of the road budget, is diminishing due to an increased allocation to more urban counties. Union County was ranked 88th among the state's 99 counties in personal income (\$31,207) for 2008. Only 5 Iowa counties have higher per capita taxes than Union. Based upon the settlements this bargaining year, these employees relative wage standing and the economic data pertinent to Union County, the Wage proposal of the County is the most reasonable position before the arbitrator and should be awarded.

The **Union Proposal** is a general 3% wage increase. The Union uses the contiguous counties of Adair, Adams, Clarke, Decatur, Madison, Ringgold and Taylor to make comparisons. Its data indicates that the Operator II hourly rate of \$18.02 currently ranks third among these counties and would remain third under either parties' wage proposal. Its settlement data indicates average settlements increasing wages commencing July 1, 2011 by 2.48%. This includes multi-year contracts. This represents an average hourly increase of \$.44

compared to the County's proposed \$.36/hour increase and the Union's \$.54/hour asking. The Union notes that the other bargaining unit in the County, the Deputy Sheriff's agreed to a 2.5% increase, part of a multi-year contract. The difference in wage positions between the parties is a relatively modest \$8,654 without roll-ups and would maintain these employees relative wage standings in their comparability group. The Union proposal is consistent with the bargaining history of this unit and would help to offset the increased cost of health insurance which these employees will incur no matter which of the parties' insurance proposals is awarded.

DISCUSSION - WAGES

The County proposes a 2% increase for 2011-2012 and the Union proposes a 3% increase. On the Operator II wage, this would be an increase of \$.36/hour (County) or \$.54/hour (Union). The data presented indicates that the settlement trend among comparable counties is closer to the position of the County at 2%. This is especially true when considering settlements for this bargaining year only. Most of the 3% wage increases found in the data submitted were made in past years for multi-year contracts. Settlements negotiated in prior years preceded the economic downturn in which Union County, Iowa and the nation find themselves. While the County has not pled an inability to fund the Union's wage asking, it has presented economic data which indicates that Union County is not in robust economic health. Taxes are high and relative income levels are low when compared to other Iowa counties. A 2% wage increase will maintain these employees wage standing among the comparable counties no matter which comparability group is used. (I tend to favor the County's group insofar as it is larger and offers greater numbers with which to make comparisons.) I consider the County's 2% wage proposal to be the most reasonable.

INSURANCE - CURRENT CONTRACT

The County offers three different insurance plans to these employees and all county employees (59 total), Plans, B, C and D. Sixteen members of this bargaining unit take family Plan B, 2 take Plan C and 5 use Plan D. Both parties agree that the focus here is on family Plan B, the premier plan with lower deductibles and co-insurance and correspondingly higher premiums. The County is self insured. Its insurance program is administered by TPA which adjusts premiums from year to year. TPA projects that a 20% increase in premiums will be required for 2011-2012. At one time in their bargaining history, the County paid the full cost of health insurance. Commencing in 2004, the employees began sharing the cost of the insurance premiums. Their premium contributions have

gradually increased over the years as have the deductibles and co-insurance. The overall cost of health insurance has dramatically escalated in recent years. Plan B provides for deductibles of \$275 (single) and \$550 (family) Benefit Percentage is 90%, co-pay \$20 and out of pocket maximums are \$1,050 (single) and \$2,100 (family). Prescriptions are \$15 (generic), \$25 (Brand) and \$40 (formulary). Plan C provides for deductibles of \$550 (single), \$1,100 (family), a benefit percentage of 80%, co-pay \$20 and out of pocket maximums of \$1,575 (single) and \$3,150 (family). Prescription co-pays are \$20 (generic), \$35 (brand) and \$50 (formulary). Plan D provides for deductibles of \$1,100 (single), \$2,200 (family), benefit percentage of 80%, co-pay of \$30 and out of pocket maximums of \$2,100 (single) and \$4,200 (family). Prescriptions are \$20 (generic), \$40 (brand) and \$60 (formulary).

Employees taking insurance Plan B (family) contribute \$65.58 per pay period (26 pay periods in a year). This amounts to \$1,705 per year. Employees taking plan C pay \$32.79 per pay period. The County pays the entire premium for employees taking plan D.

The **County Proposal** would require employees taking Plan B family insurance to contribute \$157.34 per pay period and those taking single Plan B to contribute \$52.45 per pay period. Employees taking Plan C family would contribute \$94.40 per pay period, those taking single \$31.47.

The County contends that with escalating insurance costs, it has attempted to move employees off the premium Plan B to plans C and D which have higher co-insurance and deductibles and lower premiums. It argues that these employees have resisted such change. The County notes that the deputy sheriff unit has agreed to the premium contribution it is proposing and suggests that its goal is to get all county employees (59) on the same insurance plan with the same premium contributions. It notes that these employees with the County's insurance proposal (Plan B family) will rank at top of the comparable counties in terms of the County's insurance cost at \$9.18 per hour per employee or \$19,094 per year (\$9.18 X 2080 hours). Assuming both the County's wage and insurance proposals, Union County at \$27.56 per hour would rank second only to Ringgold County among the comparable counties. It notes that its insurance administrator suggests an insurance fund balance of \$500,000, however, the County has far less than this in its insurance fund. Union County's Plan B has among the lowest deductibles among the comparable counties. The County notes that if its wage proposal and insurance proposal were awarded a total package increase of 5.36% would result. If the Union wage proposal and the County's insurance proposal were awarded, the result would be a 6.06% total package increase.

The **Union Proposal** would increase the employees' family Plan B to \$111.31 per pay period and the single contribution to \$44.26 per pay period. Plan C insurance participants would pay \$63.60 per pay period for family

insurance and \$25.28 for single insurance. The Union contends that if the County Wage and Insurance proposals were both awarded, these employees would actually lose ground. Whatever wage increase received would be eaten up by increased insurance premiums. It contends that the Union has made a reasonable offer to increase these employees' premium contributions and share in the increased cost of their insurance.

DISCUSSION-INSURANCE

Health insurance is a necessary and costly benefit. Premiums have dramatically escalated in recent years. Once, health insurance was a benefit provided by employers at no cost to employees. It is now commonplace for employees to pay a significant portion of their monthly insurance premiums. As in Union County, multiple plans have been introduced to motivate employees toward less expensive insurance. The fight here is over family Plan B which is a good but expensive plan. The Union proposes to increase the employees' contribution to family plan B from the current \$65.58 per pay period to \$111.31. The County proposes that it be increased to \$157.34. These parties have a history of increasing employee contributions toward their health insurance. Deductibles and co-insurance have been modestly increased. While most employees still take the premium family insurance, some have elected to take the less costly plans offered. Although not as great an increase as that proposed by the County, the Union's proposal would still be an increase of some 70% in the premium contribution of the employees taking family Plan B. The County's desire to have all employees on the same insurance plan at the same level of premium contribution is understandable, however, this is a separate bargaining unit with its own history. Under the Union proposal, an employee taking family insurance Plan B for the next contract will pay will pay an additional \$1,189 per year for this insurance. A wage increase of 2% on an \$18.02 hourly wage will generate \$749 straight time without roll ups. As required premium contributions increase, it is safe to say that more of these employees will be taking a harder look at the less costly plans. The proposal of the Union on health insurance is awarded.

LEAVES OF ABSENCE - CURRENT CONTRACT

The contract now provides that employees may take up to 3 personal days per year without restriction from the employee's accumulated sick leave. Such leave may be taken in half day increments. Employees may accumulate up to 90 working days of sick leave. Employees are provided two days for family illness leave per year.

The **County Proposal** would continue the current language in the contract. It argues that these employees currently enjoy very favorable leave benefits including 10.5 holidays, a floating day off plus 3 personal days. At 14.5 days, Union County offers more holidays, personal days and floating days off than any other comparable county. Many of the other counties offer no personal days off or floating days. There is no justification for an expansion of the personal days off benefit. Between vacation, holidays, sick leave and personal days, these employees average 37.18 days off per year.

The **Union Proposal** is an increase of the personal days off per year from the current 3 to 5. It would then eliminate the 2 days of family illness leave provided employees. It characterizes its proposal as a modest enhancement in this benefit, a small and reasonable reward for an employee's good attendance. It points out that many other counties allow greater use of sick leave for family than Union, currently 2. Others, not Union County, provide payout conversion for unused sick leave

DISCUSSION - LEAVES OF ABSENCE

The data submitted by the parties does not support an increase in these employees' personal leave benefit. Many other counties do not provide personal days off. Union County's holiday, personal day and floating day total of 14.5 days is at the top of the list. Payout conversion for unused sick leave is a different benefit from personal days off and should be dealt with separately.

AWARD

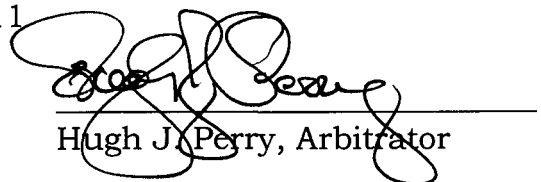
Based upon the above discussions, the following award is made on the three impasse issues before me:

WAGES - The County proposal of an across the board 2% wage increase is awarded.

INSURANCE - The Union proposal on health insurance is awarded.

LEAVES OF ABSENCE - The County proposal on Leaves of Absence is awarded.

Signed this 14th day of April, 2011



Hugh J. Perry, Arbitrator

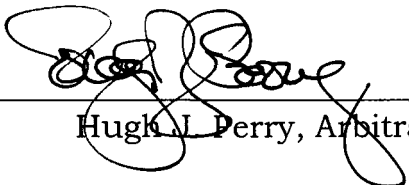
CERTIFICATE OF SERVICE

I certify that on the 14th day of April, 2011, I served the foregoing Award of Arbitrator upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

Jack Lipovac
HR-One Source
5619 NW 86th Street Suite 600
Johnston, IA 50131

MacDonald Smith
Attorney At Law
P.O. Box 1194
Sioux City, IA 51102

I further certify that on the 14th day of April, 2011, I will submit this award for filing by mailing it to the Iowa Public Employment Relations Board, 510 East 12th Street, Suite 1B, Des Moines, Iowa 50319.



Hugh J. Perry, Arbitrator